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## Multilateralism in Southeast Asia

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### Summary

#### About the Symposium

#### **A Southeast Asian Perspective**

Economically, Southeast Asia is coming of age. ASEAN countries wish to map their own futures without significant outside interference. Despite having neither a charter nor economic clout, ASEAN members have managed to maintain regional peace and security.

However, these five apprehensions do exist:

- The Taiwan/China dispute
- Conventional arms proliferation
- The fragile Cambodian peace
- The Spratly Islands and Chinese claims in the South China Sea
- The division of Korea

ASEAN countries are skeptical of using conflict resolution models such as OSCE, EC, and WEU from other areas of the world to reduce these apprehensions among nations whose cultures differ from those of Europe. They are more likely to rely upon ARF even though it is in its nascent, untested stage a breakthrough for ASEAN countries towards multilateral approaches to resolving disputes and addressing security matters.

The general Southeast Asian perspectives on the United States, China, Russia and Japan follow.

- The **United States** should continue safeguarding the regional balance of power and ensuring open trade. Because of China's growing military and economic power, ASEAN prefers that the United States remain engaged as a counterbalance to China. The United States will most likely continue as the number one outsider to ASEAN for trade and military power.

- **China** is not seen as a threat. There are concerns about China's recent actions in the Spratly Islands, which could help motivate a dialogue with the Chinese and develop stronger security institutions in the region. Southeast Asian nations appreciate the enormous challenge China faces as masses of its citizens migrate from rural areas to the cities and the economy struggles to create 270 million jobs in the next 10 years just to sustain the employment rate at its current level.
- **Russia** is viewed as a declining threat and a waning force in the region. Russia's absence as a player in Southeast Asia has had a profound impact on the regional security environment. Relationships built during the Cold War period are currently being restructured due to the absence of Soviet influence in the region.
- **Japan** is seen as a benign military power, unable to counter China. Japan is expected to assume a more assertive economic role and continue in a passive politico-military role.

### Views from Other Nations

The **Australians** view themselves as an integral part of Southeast Asia, which accounts for 14% of their trade. Given the probability of increasing investments and trade in the region, Australia's strategy is to maintain current alliances with major powers and enhance multilateral actions with ASEAN countries through the "Five Power Defense Arrangements," APEC and ARF.

**China** expects intensified competition in the region. Its main interests are for Asian nations to focus on economic development quickly, and for China to be recognized as a great Asian power to be treated with respect and deference.

**India's** long experiment with self-sufficient socialism and its friendly relationship with the Soviet Union have isolated it from the region. India's interests in Southeast Asia include becoming trading partners with Southeast Asian countries and ensuring a balanced regional power structure. Reflecting these interests, India has five major concerns:

1. the upgrading of Southeast Asian military forces due to modernization;
2. the danger that ASEAN expects too much from multilateralism;
3. the possible violent disruption of the region Islamic fundamentalism could cause;
4. the impact on the balance of power from the relationship between *cash-rich/technology poor* China and *cash-poor/technology-rich* Russia;
5. the safe downsizing of the ICBMs left from the Cold War.

**Japan** does not see "troubled" or "failed" states, or state-to-state conflicts as major issues in Southeast Asia, but regards sovereignty of each state as the most important factor. Japanese regional interests are twofold:

1. stability in Southeast Asia,
2. maritime safety of the sea lines of communications.

Recent shifts of Japanese investments from the United States and western countries into the Southeast Asian region are indicative of Japanese economic strategy. Moreover, surveys of Japanese corporate executives reveal that 63% view Southeast Asia as the primary investment priority in the next 10 years. Another 14% see Southeast Asia as their secondary priority. If these investments are successful, forecasters predict Japan will have a trillion-dollar trade surplus by the end of the next decade.

### **ASEAN Free Trade Area, APEC, and the WTO: How They Fit Together**

The **ASEAN Free Trade Agreement (AFTA)** is an informal agreement designed to integrate ASEAN countries into the global economy. Unlike the North American Free Trade Agreement (NAFTA), which is meticulously detailed with volumes of contingencies, AFTA is sparsely documented and quite flexibly constructed. AFTA's motto is to agree first, negotiate later. Consequently, AFTA is not all-encompassing, but loosely worded and open ended. The goal is to increase the attractiveness of the ASEAN countries as potential sites for investments. There are concerns regarding the recent signing of the AFTA, some countries feeling that they should be allowed to prosper at their own pace and that the 2020 target date established in the agreement may be too fast a pace.

The **Asia Pacific Economic Cooperation (APEC)** forum began as a platform for discussion in 1989, bringing together countries with different perceptions and desires. Gradually, APEC has acquired the trappings of a formal organization, and is now committed to free trade in the Pacific by 2020.

The commonalities among AFTA, APEC and the **World Trade Organization** are:

1. they support open regionalism;
2. they are instruments of preventive diplomacy;
3. they can complement multilateral efforts or provide alternatives to multilateralism.

### **A Look Toward the Future**

Asia's central banks hold 42% of the world's capital reserves. If the present trend continues, by 2005 these banks could hold nearly 50% of those reserves. Furthermore, forecasters expect economic growth of the ASEAN countries to remain at or continue climbing within the 7-12% per annum range. Indonesia and Thailand might enter the top 15 in world trade by the year 2010.

Regional integration will be difficult to achieve among diverse countries when income and economic levels diverge so widely. Significant structural adjustments will be necessary to achieve any modicum of integration. Because of the diversity among Southeast Asian countries, it is difficult to encourage palatable multilateral initiatives for all countries. Because ASEAN has decreased trade barriers and committed to open regionalism, there is no need for formal preferential trade agreements or institutional frameworks. Their preference is to continue the reciprocal trade practices that have brought prosperity to the region. This arrangement allows each country to progress at its own pace without resorting to imposed time lines.

More Asian countries have been entering the world economy since the demise of the Cold War. The future shift of the center of gravity in the world economy will be toward Asia. A "prosperity crescent" from Beijing to Bangkok to Bombay will be the new focus of economic growth and

prosperity.

Although the prosperity in the Southeast Asian region is grounds for confidence in the future, the real test of the robustness of these emerging economies will be their performance during big shocks in the world economy, such as recession, depression, civil strife and military conflict.

As Southeast Asian nations prosper, the transition to new leadership is likely to raise concerns. New leaders would probably not share the same vision as those leaders who began the trend toward economic growth because they will not have shared the same experiences. Therefore, they could cause their countries to build economic barriers or regress to socialism, either of which could be detrimental to progress.

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